

CITY OF EUREKA
CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE U
UTILITY USERS TAX

Measure U, if approved by a majority vote, would authorize the continuation of the collection of a utility user tax in the City of Eureka. The tax would be imposed at the rate of three percent (3%) of the usage of the following utility services:

- (1) Communication services that are primarily used within the City's boundaries;
- (2) Electrical energy services supplied by an electric corporation or non-utility supplier and used within the City's boundaries; and
- (3) Gas services supplied by a gas corporation or non-utility supplier which is transported either through pipes or by mobile transport and used within the City's boundaries.

Several exemptions to the tax are expressly provided upon adequate proof to the Tax Administrator. First, persons who receive Low Income Rate Assistance ("LIRA") from a gas or electrical corporation would be exempt from the tax on gas or electrical utility usage. Second, persons who receive "Universal Lifeline Service" from a telephone corporation would be exempt from paying the tax on basic telephone services. In addition, the City Council may, by ordinance or resolution, exempt additional classes of persons or utilities. Finally, the tax would not be levied against persons or entities exempt by law including federal and state agencies and public schools.

The tax would be computed on the basis of monthly usage and service charges, and would be collected by the service provider. The maximum cumulative tax payable by any service user pursuant to this measure would be \$2,000.00 per fiscal year. A service user with more than one meter or billing invoice per utility service at a single contiguous location may combine all billings for purposes of calculating the maximum tax amount.

The utility users tax is a general tax. All revenue generated by the tax would go to the City's general fund to provide essential governmental services including, but not limited to: police, fire, environmental programs, public works, parks and recreation, job retention and expansion efforts, and other essential government services. It is estimated that the tax will generate approximately \$1,400,000.00 of the City's general fund budget of \$21,000,000.00 for fiscal year 2006-2007. The tax as proposed in Measure U is similar to the present utility users tax, approved by the voters in 2002. The principal difference is that the maximum taxation limit for each service user is \$2,000.00 instead of \$1,000.00. Voter approval of this Measure would amend the City's present utility users tax by extending it to June 30, 2011. This measure must be approved by a majority of the voters.

S/ David E. Tranberg, City Attorney, City of Eureka